

TOTAL EXCLUSION

B

96TH CONGRESS
1ST SESSION**H. R. 5211**

To amend the Internal Revenue Code of 1954 to exempt from taxation the earned income of certain individuals working outside the United States.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 7, 1979

Mr. FRENZEL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to exempt from taxation the earned income of certain individuals working outside the United States.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXCLUSION OF EARNED INCOME FROM SOURCES**

4 **OUTSIDE THE UNITED STATES.**

5 (a) **GENERAL RULE.**—The section heading and subsec-
6 tion (a) of section 911 of the Internal Revenue Code of 1954
7 (relating to income earned by individuals in certain camps) is
8 amended to read as follows:

1 "SEC. 911. EARNED INCOME FROM SOURCES OUTSIDE THE
2 UNITED STATES.

3 "(a) GENERAL RULE.—The following items shall not
4 be included in gross income and shall be exempt from tax-
5 ation under this subtitle:

6 "(1) BONA FIDE RESIDENT OF FOREIGN COUN-
7 TRY.—In the case of an individual citizen of the
8 United States who establishes to the satisfaction of the
9 Secretary that he has been a bona fide resident of a
10 foreign country or countries for an uninterrupted period
11 which includes an entire taxable year, amounts re-
12 ceived from sources without the United States (except
13 amounts paid by the United States or any agency
14 thereof) which constitute earned income attributable to
15 services performed during such uninterrupted period.
16 The amount excluded under this paragraph for any
17 taxable year shall be computed by applying the special
18 rules contained in subsection (c).

19 "(2) PRESENCE IN FOREIGN COUNTRY FOR 17
20 MONTHS.—In the case of an individual citizen or resi-
21 dent of the United States who during any period of 18
22 consecutive months is present in a foreign country or ^{outside} ~~the~~ ^{USA}
23 countries during at least 510 full days in such period,
24 amounts received from sources without the United
25 States (except amounts paid by the United States or
26 any agency thereof) which constitute earned income at-

1 tributable to services performed during such 18-month
2 period. The amount excluded under this paragraph for
3 any taxable year shall be computed by applying the
4 special rules contained in subsection (c).

5 An individual shall not be allowed as a deduction from his
6 gross income any deduction, or as a credit against the tax
7 imposed by this chapter any credit for the amount of taxes
8 paid or accrued to a foreign country or possession of the
9 United States, to the extent that such deduction or credit is
10 properly allocable to or chargeable against amounts excluded
11 from gross income under this subsection, other than the de-
12 duction allowed by section 217 (relating to moving ex-
13 penses)."

14 (b) ELIMINATION OF LIMITATIONS ON AMOUNT OF
15 EXCLUSION.—Subsection (c) of section 911 of such Code
16 (relating to limitations and special rules) is amended—

17 (1) by striking out paragraphs (1), (2), (3), and (7),
18 and

19 (2) by redesignating paragraphs (4), (5), and (6) as
20 paragraphs (1), (2), and (3), respectively.

21 (c) REPEAL OF SECTION 913.—Section 913 of such
22 Code (relating to deduction for certain expenses of living
23 abroad) is hereby repealed.

24 (d) TECHNICAL AND CONFORMING AMENDMENTS.—

1 (1) The table of sections for subpart B of part III
2 of subchapter N of chapter 1 of such Code is amend-
3 ed—

4 (A) by striking out the item relating to sec-
5 tion 911 and inserting in lieu thereof the follow-
6 ing:

"Sec. 911. Earned income from sources outside the United States.",
and

7 (B) by striking out the item relating to sec-
8 tion 913.

9 (2) Sections 43(c)(1)(C), 1302(b)(2)(A)(i),
10 1304(b)(1), 1402(a)(8), 6012(c), and 6091(b)(1)(B)(iii) of
11 such Code are each amended by striking out "relating
12 to income earned by employees in certain camps" and
13 inserting in lieu thereof "relating to earned income
14 from sources outside the United States".

15 (3) Subsection (k) of section 1034 of such Code
16 (relating to an individual whose tax home is outside the
17 United States) is amended—

18 (A) by striking out "(as defined in section
19 913(j)(1)(B))", and

20 (B) by adding at the end thereof the follow-
21 ing new sentence: "For purposes of the preceding
22 sentence, the term 'tax home' means, with respect
23 to any individual, such individual's home for pur-
24 poses of section 162(a)(2) (relating to travel ex-

1 penses while away from home); except that an in-
2 dividual shall not be treated as having a tax home
3 in a foreign country for any period for which his
4 abode is within the United States."

5 (4) Subsection (a) of section 3401 of such Code
6 (defining wages) is amended by striking out the para-
7 graph (18) which was added by section 207(a) of the
8 Foreign Earned Income Act of 1978.

9 (5) Clause (iii) of section 6091(b)(1)(B) of such
10 Code is amended by striking out "section 913 (relating
11 to deduction for certain expenses of living abroad)".

12 SEC. 2. EFFECTIVE DATE.

13 The amendments made by section 1 of this Act shall
14 apply to taxable years beginning after December 31, 1979.

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